

School Finance

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PAYMENT CALCULATIONS

March Foundation Payment Calculation

The March Basic Formula payment, including Classroom Trust Fund, was calculated using the most current data available as reported by the district to DESE. It is important that the district compare DESE's calculations with those generated by the district. Please call or email School Finance at (573) 751-0357 (webreplyadmsf@dese.mo.gov) with questions or concerns about the district's calculations.

Estimated Regular Term Average Daily Attendance (ADA)

The estimated regular term ADA for 2015-16 may be provided to your School Finance consultant to be entered on the Estimated ADA Screen. The Estimated ADA Screen is now located in DESE Web Applications by selecting School Finance and then selecting Estimated ADA. This screen also provides historical information, such as Membership, Enrollment, ADA and ADA percentage, which may be helpful when estimating an ADA.

The district would report an estimated regular term ADA for the **2015-16** year *only if the district's 2015-16 regular term ADA is expected to be greater than both the 2013-14 and 2014-15 regular term ADA figures* and the district wants to be paid in 2015-16 on the 2015-16 estimated ADA.

Regular term average daily attendance includes qualified remediation attendance outside the regular school day. Refer to the Finance website at <http://dese.mo.gov/sites/default/files/sf-AAAttendanceReporting.pdf> for the description of qualified remediation attendance.

The local education agency (LEA) charter schools must provide an estimated regular term ADA to their School Finance consultant for 2015-16. Payment is made to charter schools on current year attendance.

A worksheet to assist districts when estimating their ADA is available at <http://dese.mo.gov/financial-admin-services/school-finance/calculation-tools>.

Revisions to the 2015-16 estimated ADA may be made through **May 15, 2016**. Contact School Finance staff if you have questions about estimating ADA.

2015-16 BUDGET ESTIMATES

2015-16 Proposition C Sales Tax Payment Estimate Revision

The 2015-16 Proposition C Sales Tax payment is paid on the 2014-15 weighted average daily attendance (WADA) which was 900,985.2032 as of the February 2016 payment. Based on the WADA and estimated revenue of \$848,739,000 the 2015-16 estimated amount per WADA would be \$942. At this point we remain cautiously optimistic that Proposition C funds will remain strong during the second half of FY16 and that the projected amount per WADA will be realized. You are urged to continue to closely monitor the Proposition C receipts very closely for the remainder of the year. For further information regarding 2015-16 Proposition C revenue please see Dr. Lankford's comments at the end of the memo, specifically the section titled Proposition C Revenue.

The Governor recommended an increase in Proposition C as a supplemental for FY16 of \$5,261,000. If approved and available this would increase the amount per WADA to \$947.

Below is trend data for Proposition C Payments since the inception of the current foundation formula.

Year	Dollars Distributed	WADA	WADA Payment
2006-07	\$784,900,800	915,941.2936	\$857
2007-08	\$772,820,015	914,272.3027	\$845
2008-09	\$730,325,406	908,284.1060	\$804
2009-10	\$695,120,132	910,040.6792	\$764
2010-11	\$711,615,172	915,272.7157	\$777
2011-12	\$749,703,272	901,439.5600	\$832
2012-13	\$751,559,817	899,756.8400	\$835
2013-14	\$793,100,000	896,553.9900	\$884
2014-15	\$831,282,000	902,449.0100	\$921

2015-16 Basic Formula Estimate Revision

The Fiscal Year (FY) 2015-16 Basic Formula appropriation was \$3,274,322,533. Since the FY16 calculations exceed the appropriation, the State Adequacy Target (SAT) has been adjusted throughout the year. The SAT used in the February payment calculation was \$6,110.084768601.

2015-16 Classroom Trust Fund Estimate Revision

The 2015-16 Classroom Trust Fund payment is paid on the 2014-15 average daily attendance which was 847,465.6005 as of the February 2016 payment. Based on the ADA and estimated revenue of \$343,456,910 the estimated amount per ADA would be approximately \$405. The state will only distribute funds that are actually collected into the Classroom Trust Fund, which may or may not reach the appropriated level of \$343,456,910. For further information regarding 2015-16 Classroom Trust Fund revenue please see Dr. Lankford's comments at the end of the memo, specifically the section titled Gaming Revenue.

2016-17 BUDGET ESTIMATES

Dollar Value Modifier Recalculation (DVM)

The calculation of the Dollar Value Modifier that will be used in the formula distribution for FY17 has been completed and can be viewed at <http://dese.mo.gov/financial-admin-services/school-finance/data-reports>.

2016-17 Proposition C Sales Tax Payment Estimate

The Governor's Budget projected an increase in Proposition C revenue for the 2016-17 fiscal year. The 2016-17 Proposition C Sales Tax payment will be paid on the 2015-16 weighted average daily attendance (WADA).

With statewide ADA basically holding constant and the assumption that summer school will do the same, it is predicted that Proposition C Payment WADA will be in the vicinity of 901,000 in FY16. If the Revenue Estimate of \$880,400,000 is achieved, it would mean a WADA payment of approximately \$977. While it appears this level of collection is potentially achievable, caution should be used as determination of budget estimates are made.

Trend data for Proposition C Payments since the inception of the current foundation formula can be located in the section of this memo titled 2015-16 Proposition C Sales Tax Payment Estimate Revision.

2016-17 Classroom Trust Fund Estimate

The 2016-17 Classroom Trust Fund payment is paid on the 2015-16 average daily attendance of approximately 847,000. The projected Classroom Trust Fund revenue as stated in the Governor's recommendations for the 2016-17 budget is \$343,971,832. This estimated revenue will be divided by an estimated 2015-16 average daily attendance of approximately 847,000, which is approximately \$406 per ADA from the Classroom Trust Fund for the 2016-17 year. The Classroom Trust Fund is one of the funding sources of the Basic Formula and, like other funding areas, we will not know exactly the funding level until the appropriation process concludes. Please remember that this calculation is done to determine the proper placement of funds in accordance with statute.

As a reminder, Senate Bill 291 passed in the 2009 legislative session includes the following provision in Section 163.043.5:

For the 2010-2011 school year and for each subsequent year, all proceeds a school district receives from the classroom trust fund in excess of the amount the district received from the classroom trust fund in the 2009-2010 school year shall be placed to the credit of the district's teachers' and incidental funds.

OTHER IMPORTANT REMINDERS AND TOPICS OF INTEREST

Inclement Weather

Districts must comply with Section 163.021.1, RSMo, which requires compliance with the minimum term, including a minimum number of days and hours, to be eligible for state aid. Additionally, Section 171.033.4, RSMo, provides forgiveness for inclement weather days after a specified number of inclement weather days have been reached by a school district or charter school. Below is specific information regarding minimum day length, minimum hours of attendance, and inclement weather forgiveness.

Minimum Hours Required in a School Day

Severe weather increases the possibility of an early release from school. Section 160.041.1, RSMo, states that a minimum school day consists of at least 3 hours (except districts establishing less than a 174 day school calendar which require 4 hours) in which the pupils are under the guidance and direction of teachers in the teaching process. Districts must meet both the minimum day requirement and the minimum hour requirement as dictated by their respective calendar.

Minimum required hours of class time to count as a school day:

- School districts that provide a minimum term of at least 174 days and 1,044 hours of instruction must have at least three hours of class time to count day as an attendance day for calendar purposes.
- School districts that provide a minimum term of less than 174 days, and with a minimum of 1,044 hours, must have at least four hours of class time to count day as an attendance day for calendar purposes.

A school day ending before the minimum required hours of class time does not count toward the day requirement and the hours do not count toward the 1,044 hour requirement. Since the day is not a legal school day, the hours and day do not count for state aid purposes. Such hours are not reported as a part of the school district's calendar and the attendance hours are not reported in the June MOSIS Enrollment and Attendance file submission for the ADA calculation for state aid purposes.

Missed School Days

Some school districts may have missed days this school year due to inclement weather. Per 171.033.4, RSMo:

“In the 2009-2010 school year and subsequent years, a school district may be exempt from the requirement to make up days of school lost or canceled due to inclement weather in the school district when the school district has made up the six days required under subsection 2 of this section and half of the number of additional lost or canceled days up to eight days, resulting in no more than ten total make-up days required by this section.”

“Inclement weather”, for purposes of this section, shall be defined as ice, snow, extreme cold, flooding, or a tornado, but such term shall not include excessive heat.

This rule applies to districts that plan to attend 174 days or more as well as to those districts that plan to attend less than 174 days (per Section 171.029, RSMo). Days that are missed for reasons other than inclement weather, such as illness, have to be made up and are not included in this provision of law.

Reminder: Days that are forgiven due to inclement weather will not have an adverse impact on the average daily attendance (ADA) calculation. This will create a situation which will have an effect on both components (both the total attendance hours and the hours in session) of the ADA calculation and, therefore, will not have a negative impact on the ADA.

The following two charts illustrate the make-up requirements associated with this statute.

Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10	Day 11	Day 12	Day 13	Day 14	+
M	M	M	M	M	M	M	F	M	F	M	F	M	F	F

Key:

M = Day must be made up

F = Day is forgiven

Days Missed	Days to Make Up
1 Day	1
2 Days	2
3 Days	3
4 Days	4
5 Days	5
6 Days	6
7 Days	7
8 Days	7
9 Days	8
10 Days	8
11 Days	9
12 Days	9
13 Days	10
14 Days	10
More than 14	10

The above information regarding inclement weather and a short FAQ are available at <http://dese.mo.gov/divadm/finance/topicsandprocedures/index.html>

Local Tax Effort

After the School Finance Section has reviewed all districts' Annual Secretary of the Board Reports (ASBRs), the data are summarized into a State Annual Secretary of the Board Report for use in the state profiles, Annual Report of the Public Schools, and other documents. At that time the "local tax effort per ADA" is calculated using the district's Annual Secretary of the Board Report and ADA for the previous fiscal year.

The local tax effort per child is computed by adding the prior year tax revenue the district of domicile receives from property taxes, Intangible (Financial Institution) Taxes, M & M Taxes, In Lieu of Taxes, and State Assessed Railroad and Utility Taxes, then dividing that sum by the prior year resident average daily attendance of the district of domicile.

Sections 162.740 and 167.126, RSMo, reference when the district of domicile is to pay to the educating district an amount equal to the average sum produced per child by the local tax effort of the district of domicile. The educating school district will bill the domicile district by dividing the domicile district's tax effort by the educating district's days in session and then multiplying by the number of days a student attended.

$$(\text{Domicile district's tax effort per ADA} \div \text{Days in Session}) \times \text{Days Attended}$$

The 2014-15 local tax effort per ADA will be used by most districts and agencies for billing in the 2015-16 year. The 2014-15 local tax effort per ADA is available on the Missouri Comprehensive Data System (MCDS) portal by selecting Quick Facts, then District and School Information and then Local Effort, at this address: <http://mcds.dese.mo.gov/Pages/default.aspx>.

Questions on this calculation may be directed to the School Finance Section at (573) 751-0357.

Summer School – Tuition vs. State Aid for Non-resident Students

Section 167.227, RSMo, permits a student to attend summer school in a school district other than the student's district of residence if the other district accepts non-resident students. School districts who accept non-resident students for summer school have three options for receiving payment. They are:

- 1) including all such students' attendance hours with the district's resident student summer school attendance hours when reporting on Core Data and receive the state aid on these students,
- 2) collecting tuition from all such students, or
- 3) collecting tuition from the resident district for all such students for which the resident district had contracted for summer school services.

Please review this statute and/or call School Finance if you have questions on this topic.

SCHOOL GOVERNANCE

Qualified Zone Academy Bonds (QZAB)

Congress has passed the re-authorization of the Qualified Zone Academy (QZAB) program. DESE currently has \$7,244,000 of authorization for the 2016 allocation.

As a result an application period for QZAB will begin on Monday, March 28, and will end at 4:00 pm on Friday, April 29, 2016. The application can be accessed at <http://dese.mo.gov/financial-admin-services/school-governance/qualified-zone-academy-bond>. There is a Qualified Zone Academy Bond Q & A describing QZAB's and the application process that can be found at <http://dese.mo.gov/sites/default/files/sf-QZAB-QAs-8-2013.pdf>. If you have questions, contact Roger Dorson at (573) 751-0357 or roger.dorson@dese.mo.gov.

Boundary Change

If there is a change in your school district's boundary following the April election, please send a copy of the ballot with the legal description of the boundary change to the School Administrative Services Section.

Boundary Change Appeal to State Board

In case a district is involved in a boundary change appeal to the State Board of Education, the district must adhere to the time line for such appeal as defined in state law. Section 162.431.3, RSMo, states, "If one of the districts votes against the change and the other votes for the change, the matter may be appealed to the state board of education, in writing, within fifteen days of the submission of the question by either one of the districts affected, or in the above event by a majority of the signers of the petition requesting a vote on the proposal. At the first meeting of the state board following the appeal, a board of arbitration composed of three members, none of whom shall be a resident of any district affected, shall be appointed." For additional information concerning the appeal process refer to Section 162.431, RSMo, or call the School Administrative Services Section at (573) 751-0357.

SCHOOL TRANSPORTATION

2015-16 State Transportation Aid Calculation

The fiscal year 2015-16 state transportation aid calculation is available through the School Finance website. Select Monthly Financial Reports. Input County-District number. The Payment Transmittal is then displayed. Click on the revenue name "Transportation" on the Payment Transmittal to access the transportation aid calculation. The link to School Finance Monthly Financial Reports is <http://dese.mo.gov/financial-admin-services/school-finance/financial-reports>.

This is the sixth live state transportation calculation made for the current year. The calculation is based on 2014-15 school year data submitted by the district on the state transportation aid documents included in Part IV of the Annual Secretary of the Board Report (Application for State Transportation Aid, School Bus and Facility Depreciation Schedules).

The percent of reduction to the calculated entitlement computed for the March 2016 calculation is shown below. This reduction percentage represents the amount the entitlement exceeded the appropriation and will fluctuate from month to month as revisions are made to individual school district data. The percent of reduction and the A and B factors are also reflected on each district's Summary Transportation Report.

The percentage reduction and the A and B factors are as follows:

	<u>Reduction Factor</u>	<u>A Factor</u>	<u>B Factor</u>
March 2016	64.841972	3.439054	-1.401537

Certified School Bus Driver Instructor Training

The Certified School Bus Driver Instructor recertification training will be held in Columbia on July 22, 2016. The Certified School Bus Driver Instructor workshop is scheduled for July 27-29, 2016, in Warrensburg. Registration forms for this training are available at <http://dese.mo.gov/financial-admin-services/school-transportation/certified-bus-driver-instructors>, also, a listing of all current Certified School Bus Driver Instructors can also be viewed at this site.

Deputy Commissioner's Comments

Revenue Trends YTD

	YTD as of <u>February FY15</u>	YTD as of <u>February FY16</u>	Revenue <u>Change</u>	<u>% Change</u>
Individual Income Taxes	\$4,050,000,000	\$4,280,000,000	\$230,000,000	5.68%
Sales & Use Taxes	\$1,350,000,000	\$1,400,000,000	\$50,000,000	3.70%
Corporate Inc. & Franchise	\$298,000,000	\$273,000,000	(\$24,300,000)	-8.15%
Other Collections	\$210,900,000	\$217,900,000	\$7,000,000	3.32%
Increase in Revenue YTD			\$262,700,000	4.45%
Refunds (YTD)	\$624,100,000	\$721,300,000	\$97,200,000	Refund <u>Change</u> 15.57%
(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)				
Actual Net Revenue Status YTD	\$5,284,800,000,000	\$4,450,300,000	\$165,500,000	3.13%

School District Trust Fund (Proposition C) YTD

Amount Paid to Districts for Month	<u>(Mar) Prior Year</u> \$72,461,241	<u>(Mar) Current Year</u> \$74,940,555	<u>% Change</u> 3.42%
Amount Paid to Districts YTD	<u>(Mar) Prior Year</u> \$635,178,460	<u>(Mar) Current Year</u> \$657,409,694	3.35%
Appropriation	\$848,739,000	(Percentage of Appropriation Paid YTD 77.46%)	

Gaming Revenue Trend

Total Gaming Proceeds to Education	<u>(Feb) Prior Year</u> \$207,877,409	<u>(Feb) Current Year</u> \$209,980,037	<u>% Change</u> 0.0659%
Gaming Revenue Appropriated	\$343,456,910		

FY16 Classroom Trust Fund Distribution Paid YTD Through Current Month's Payment: *\$244,401,185 (71.16% of Appropriation)

*(Includes \$14,204,297 unclaimed Lottery funds, \$13,466,456 carryover Gaming funds and current month's revenue available at time of distribution.)

- General Revenue:** General Revenues continue to move in a modest positive direction for FY16. Hopefully, the mild winter and decreased fuel cost will be contributing factors that enable the year to continue in an upward trajectory.
- Proposition C Revenue:** As was the case with General Revenue, proceeds flowing in through Proposition C also continue to show increases. It is still too early to predict whether or not the appropriation level for FY16 will be reached, or if the supplemental increase will be needed.
- Gaming Revenue:** Gaming Revenues continue to hold slightly ahead of the prior year which is good for the funding of the formula. It appears that the revenue has stabilized and that the downward spiral we saw for several years may have ended.
- Lottery Revenue:** We were recently informed that for the March payment, no additional revenue would be available. As was discussed last month, it may well be that the final distribution of these funds for this year could be better than was anticipated going into the year last July. We will continue to monitor availability of these funds and try to keep you informed.

Reflections

As I looked out a window this past weekend at my home in southwest Missouri, I was again amazed at the beauty of the two redbud trees in our yard that have begun to display their color. The mild winter we have had, coupled with unusual warmth for March, have put us on a quick pace for an early spring. I have generally found that my attitude and outlook on life is always uplifted when I begin to witness the magnificence of the unfolding of nature's beauty as it undergoes this time of regeneration.

Long ago, I discovered that reflecting upon what I see during the springtime, gives me a greater appreciation for all that I have to be thankful for. This time of the year has always been a time for personal renewal, and has given greater optimism for not just my personal future, but also for all Missouri school-age citizens with whom I work on behalf of each day. It is my hope that as spring unfolds this year, each of us will take time to enjoy the various scenes it will provide, and that we will not get so busy we miss out on enjoying the splendor that comes with nature's reawakening.

My best wishes to each of you for a wonderful spring and remainder of the 2015-16 school year.



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School Finance

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